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SPARKLE ROLL GROUP LIMITED

耀萊集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 970)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

The Board is pleased to announce that on 25 June 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the SPA, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share at a Consideration of RMB428,000,000 (subject to adjustment). The Consideration was determined after arm's length negotiations and was based on normal commercial terms.

In respect of the Acquisition, as some of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules is more than 5% and all the applicable percentage ratios are less than 25%, the Acquisition shall, when completed, constitute a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements only but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

WARNING

Completion of the Acquisition is subject to the satisfaction and/or waiver of the conditions precedent under the SPA and therefore, may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 25 June 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the SPA, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share at a Consideration of RMB428,000,000 (subject to adjustment). The Consideration was determined after arm's length negotiations and was based on normal commercial terms.

THE ACQUISITION

The principal terms of the SPA are set out below.

Date: 25 June 2018 (after trading hours)

Parties:

(i) Mr. Wang Qiang as the Vendor;

(ii) Sparkle Roll Fine Wine Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser; and

(iii) the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, save and except as a shareholder of the Company (holding less than 5% of the equity interest of the Company), is a third party independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the SPA, the Purchaser has conditionally agreed to acquire the Sale Share at a consideration of RMB428,000,000 (subject to adjustment). Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser.

Consideration and payment terms

The Consideration for the Acquisition payable by the Purchaser to the Vendor shall be RMB428,000,000 (subject to adjustment).

Subject to the fulfilment of the conditions precedent and the completion of the auditing of the completion accounts, the Purchaser shall pay the Consideration (subject to adjustment) to the Vendor within 60 business days after Completion.

Pursuant to the SPA, the Consideration shall be adjusted in the following manner:

Consideration = [RMB428,000,000 + cash held by the Target Group as shown in the completion accounts – liabilities of the Target Group as shown in the completion accounts]

In the event that the cash held by the Target Group as shown in the completion accounts exceeds the liabilities of the Target Group as shown in the completion accounts, the Vendor undertakes not to increase the amount of the Consideration. Hence, the Consideration shall not, in any event, exceed RMB428,000,000.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor. Having considered (i) the Profit Guarantee given by the Vendor; (ii) the business development and prospects of the Target Group in the medium to long term; and (iii) the preliminary assessment result as provided by our Group's independent third party valuer, the Directors (including the independent non-executive Directors) believe that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration will be partially settled by the internal resources of the Group and partly by the net proceeds from the placing of shares under general mandate as completed in November 2017. As set out in the announcements of the Company dated 24 October 2017 and 13 November 2017 respectively, the net proceeds of approximately HK$440.7 million were originally intended to be used for repayment of borrowings, expansion of the audio business of the Group and as general working capital purposes. The Group intends to use approximately HK$292.2 million of the net proceeds for the Acquisition so as to enhance the efficiency of the deployment of the net proceeds and to maximize the returns to the Shareholders.

The Board considers that such change of the use of the net proceeds from the placing is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole as this would allow the Company to deploy its financial resources more efficiently and cope with the continuing development of the businesses of the Group.

Profit Guarantee

Pursuant to the SPA, the Vendor guarantees (the "**Profit Guarantee**") the Purchaser that the operating profit after tax of the Target Group for the period between 1 April 2018 and 31 March 2019 shall be not less than RMB50,000,000; (ii) the operating profit after tax of the Target Group for the period between 1 April 2019 and 31 March 2020 shall be not less than RMB57,500,000; and (iii) the operating profit after tax of the Target Group for the period between 1 April 2020 and 31 March 2021 shall be not less than RMB66,125,000.

The Vendor undertakes to the Purchaser that, if the actual operating profit after tax of the Target Group for the relevant period is lower than the guaranteed operating profit after tax of the Target Group for that period, the Vendor shall compensate the Purchaser a sum as calculated below:

Compensation = [Guaranteed operating profit after tax of the Target Group – Actual operating profit after tax of the Target Group] x 2.47

In the event that actual operating profit after tax of the Target Group of the relevant period exceeds the guaranteed operating profit after tax of the Target Group of that period, the exceeding amount can be carried forward to the next period for the purpose of calculating the Profit Guarantee.

If the actual aggregated operating profit after tax of the Target Group for the three financial years exceeds the Profit Guarantee, the Purchaser shall refund the compensation received to the Vendor within 30 days after the completion of the audited accounts for the last financial year.

Conditions precedent

Completion is subject to a number of conditions being satisfied (or waived, if applicable) including but not limited to:

(a) all documents in relation to the disposal of the Two Excluded Subsidiaries by Yang Pu Quan Tian have been provided to the Purchaser and all transactions contemplated therein have been duly completed within 6 months after the signing of the SPA such that the Two Excluded Subsidiaries are excluded from the Target Group within 6 months after the signing of the SPA;

(b) the warranties provided by the Vendor under the SPA having remained true and accurate from the date of the SPA up to and including the date of Completion;

(c) the transactions contemplated under the SPA not having been restrained, enjoined or otherwise prohibited by any applicable laws and regulations of any governmental authority;

(d) all requisite consents, licences and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and the performance of the SPA and the transactions contemplated thereunder having been obtained by the Vendor, the Purchaser and/or any member of the Group;

(e) The Group having obtained the approval from the Directors in the board meeting resolving all the necessary resolutions in relation to the SPA and all transactions and related documents contemplated thereunder;

(f) the executive directors, supervisors and managers of each of the Target Group having resigned and persons nominated by the Purchaser having been appointed;

(g) The Purchaser having completed all its business, financial and legal due diligences on the Target Group and is satisfied with the results of the same;

(h) the SPA having been executed by all parties thereto and the original thereof having been exchanged by all parties; and

(i) the transfer of Sale Share having been duly registered with relevant government authorities.

The Purchaser may at its sole and absolute discretion and at any time waive, by notice in writing to the Vendor, the conditions precedent (b), (e), (f) and (g) above. None of the other conditions precedent set out in the SPA may be waived by any party unilaterally.

Completion

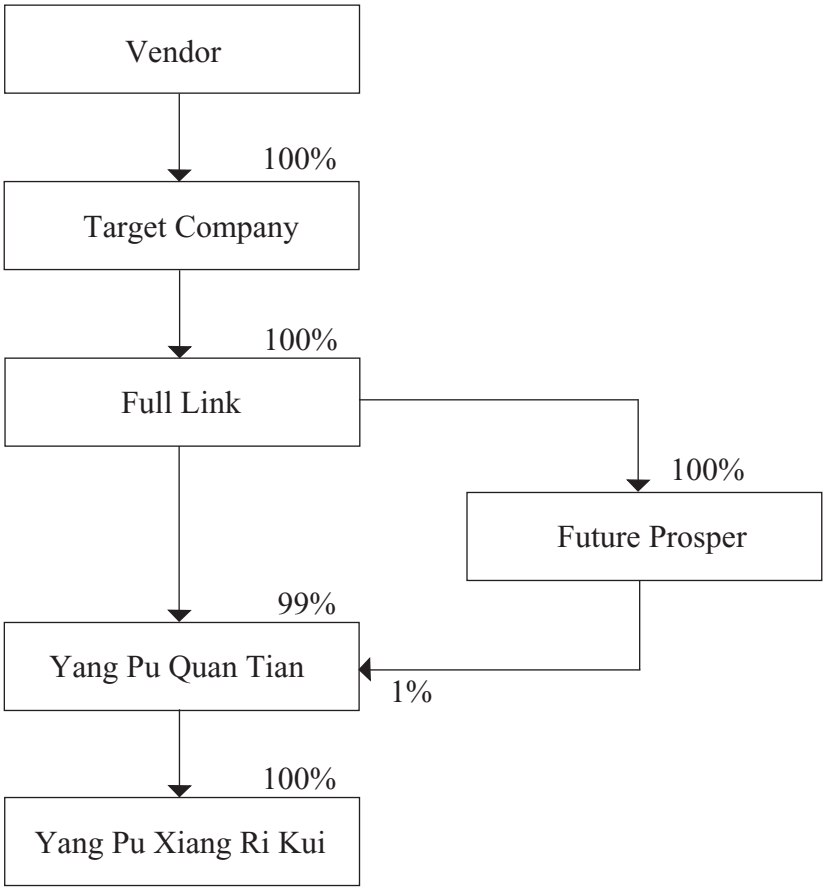
Subject to the fulfilment (or, where applicable, waiver) of the conditions precedent, Completion shall take place within 10 business days from the date of the fulfilment (or where applicable, waiver) of all of the conditions precedent at such place as the parties shall agree in writing (or at such other day as the Vendor and the Purchaser may agree).

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser and the financial results of the Target Group will be consolidated into the accounts of the Group.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability. The Target Company, through its wholly-owned subsidiaries, is principally engaged in the business of property management and provision of tenancy and sub-tenancy services in the PRC.

Set out below is the shareholding structure of the Target Company as at the date of this announcement:



Financial information of the Target Group

As the Target Group was restructured as above shareholding structure in May 2018, no audited consolidated financial information of the Target Group can be provided.

As advised by Vendor, as the Target Company and Full Link were incorporated on 23 October 2017 and 26 October 2017 respectively and Future Prosper is dormant, and engaged in investment holding, and save for its equity interest in Yang Pu Quan Tian, has no material assets and business operations, no audited financial information can be provided.

The following are the audited financial information on Yang Pu Quan Tian for the two financial years ended 31 December 2017:

	For the year ended 31 December 2017 *(Audited)* *RMB'000*	**For the year ended 31 December 2016** *(Audited)* *RMB'000*
Profit before taxation	57,828	42,365
Profit after taxation	43,371	31,568

	As of 31 December 2017 *(Audited)* *RMB'000*	**As of 31 December 2016** *(Audited)* *RMB'000*
Net assets	61,038	70,667

As advised by Vendor, Yang Pu Xiang Ri Kui also has no material assets and business operation. The following are the audited financial information on Yang Pu Xiang Ri Kui for the two financial years ended 31 December 2017:

	For the year ended 31 December 2017 *(Audited)* *RMB'000*	**For the year ended 31 December 2016** *(Audited)* *RMB'000*
Loss before taxation	(14)	(8)
Loss after taxation	(14)	(8)

	As of 31 December 2017 *(Audited)* *RMB'000*	As of 31 December 2016 *(Audited)* *RMB'000*
Net liabilities	(22)	(8)

The above key financial information of Yang Pu Quan Tian and Yang Pu Xiang Ri Kui is extracted from its audited financial statements prepared in accordance with generally acceptable accounting principles in the PRC respectively.

INFORMATION ABOUT THE COMPANY AND THE PARTIES

The principal activity of the Company is investment holding. The Group is principally engaged in the trading and import and export of luxury goods. The operations of the Group are mainly based in Hong Kong, the PRC and Malaysia.

The Purchaser is a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the trading of fine wines.

REASONS FOR AND BENEFITS OF ACQUISITION

The current businesses of the Group, including but not limited to the trading and import and export of luxury cars, jewellery and red wines which are highly dependent on the economic conditions and political situations in the PRC. The Directors are of the view that the Acquisition can expand the scope of business of the Group and shall bring in a source of stable income and profits for the Group in the long run.

The terms of the SPA were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the SPA are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor, save and except as a shareholder of the Company (holding less than 5% of the equity interest of the Company), is a third party independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules is more than 5% and all the applicable percentage ratios are less than 25%, the Acquisition shall, when completed, constitutes a discloseable transaction for the Company and is therefore subject to reporting and announcement requirements only but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

WARNING

Completion of the Acquisition is subject to the satisfaction and/or waiver of the conditions precedent under the SPA and therefore, may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

In this announcement, unless the context requires, otherwise, the following expressions have the following meanings:

"Acquisition"	the acquisition of the entire issued share capital in the Target Company as contemplated under the SPA;
"Board"	the board of Directors;
"BVI"	the British Virgin Islands;
"Company"	Sparkle Roll Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 970);
"Completion"	Completion of the Acquisition;
"connected person(s)"	has the same meaning as defined in the Listing Rules;
"Consideration"	RMB428,000,000 (subject to adjustment), being the total consideration of the Acquisition payable by the Purchaser to the Vendor for the Acquisition pursuant to the SPA;
"Director(s)"	the director(s) of the Company;
"Full Link"	Full Link Management Limited, a company incorporated in Hong Kong with limited liability on 26 October 2017 (Company Number: 2597308);
"Future Prosper"	Future Prosper Limited, a company incorporated in Hong Kong with limited liability on 11 May 2012 (Company Number: 1743458);
"Gong Qing Cheng"	共青城向日葵投資管理合伙企業（有限合伙）(Gong Qing Cheng Xiang Ri Kui Investment Management Partnership Corporate (Limited Partnership)*), a limited partnership established in the PRC on 25 November 2015;

"Group"	the Company and its subsidiaries from time to time;
"Hai Run"	海潤影視制作有限公司 (Hai Run Movie Making Limited*), a company established in the PRC with limited liability on 6 April 2001;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Third Party(ies)"	party(ies) independent of and not connected with the Company and its connected persons;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan);
"Profit Guarantee"	the guaranteed operating profit after tax of the Target Group for the period between 1 April 2018 to 31 March 2021;
"Purchaser"	Sparkle Roll Fine Wine Limited, a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Share"	one issued fully paid up share in the Target Company, representing the entire issued share capital of the Target Company;
"Share(s)"	the ordinary share(s) with par value of HK$0.0125 each in the share capital of the Company;
"Shareholders"	the shareholders of the Company;
"SPA"	the sale and purchase agreement dated 25 June 2018 and entered into between the Vendor, the Purchaser and the Target Company in relation to the Acquisition;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Reliable Intelligence International Limited, a company incorporated in the BVI with limited liability on 23 October 2017 and is wholly-owned by the Vendor;

"Target Group"	collectively, the Target Company, Full Link, Future Prosper, Yang Pu Quan Tian and Yang Pu Xiang Ri Kui;
"Two Excluded Subsidiaries"	Gong Qing Cheng and Hai Run;
"Yang Pu Quan Tian"	洋浦權天商業品牌網絡服務股份有限公司(Yang Pu Quan Tian Commercial Brand Network Services Shares Limited*), a company established in the PRC with limited liability on 19 November 2003;
"Yang Pu Xiang Ri Kui"	洋浦向日葵投資有限公司(Yang Pu Xiang Ri Kui Investment Limited*), a company established in the PRC with limited liability on 1 June 2016 and has no business operation since its establishment;
"Vendor"	Mr. Wang Qiang; and
"%"	per cent.

By Order of the Board
Sparkle Roll Group Limited
Zheng Hao Jiang
Chairman

Hong Kong, 25 June 2018

As at the date of this announcement, the Company has three executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Zhu Lei and Mr. Cheung Man Kit. The non-executive Directors are Mr. Gao Yu, Mr. Qi Jian Wei and Mr. Tang Sung Wai. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor.

* *for identification purpose only*